

Date of Hearing: April 5, 2017

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 1189 (Eduardo Garcia) – As Amended March 16, 2017

SUBJECT: Riverside County Transportation Commission: transactions and use tax.

SUMMARY: Increases the maximum transactions and use tax rate, from 0.5% to 1%, Riverside County Transportation Commission may impose, subject to voter approval. Specifically, **this bill:**

- 1) Makes changes to the existing authority granted to the Riverside County Transportation Commission (RCTC) to impose a transactions and use tax by increasing the maximum tax rate from 0.5% to 1% RCTC may impose, subject to an ordinance adopted by two-thirds of RCTC and approved by two-thirds of the voters.
- 2) Prohibits RCTC from levying a transactions and use tax or multiple taxes at a rate other than 1%, 0.75%, 0.5%, or 0.25%, unless specifically authorized by statute.
- 3) Makes conforming changes to the two-thirds voter approval threshold required for the increase of a transactions and use tax imposed by RCTC pursuant to existing law.

EXISTING LAW:

- 1) Authorizes cities and counties to impose a local sales and use tax. Authorizes cities and counties to impose transactions and use taxes. Prohibits, in any county, the combined rate of all taxes imposed in accordance with Transactions and Use Tax Law from exceeding 2%.
- 2) Establishes the Riverside County Transportation Sales Tax Act, which authorizes RCTC to impose a transactions and use tax at a maximum rate of 0.5% pursuant to existing law which governs transactions and use taxes.
- 3) Authorizes RCTC to impose a maximum transactions and use tax rate of 0.5% or any lesser percentage. Authorizes RCTC to increase the tax rate subject to voter approval.
- 4) Requires the ordinance to be effective only if adopted by a two-thirds vote of RCTC and approved by two-thirds of the voters in the special election called by the board of supervisors or at any regular election.
- 5) Requires RCTC to specify in the ordinance that no more than 1% of the annual net amount of tax revenues may be used to fund the salaries and benefits of RCTC staff in administering the programs funded from the tax.
- 6) Requires specified information in the ordinance, including an expenditure plan.
- 7) Requires RCTC, with respect to transactions and use tax revenues, to adopt an annual budget and cause a post audit of the financial transactions and records, as specified.

FISCAL EFFECT: None

COMMENTS:

- 1) **Transactions and Use Taxes.** Existing law authorizes cities and counties to impose transactions and use taxes in 0.125% increments in addition to the state's 7.5% sales tax provided that the combined rate in the county does not exceed 2%. Transactions and use taxes are taxes imposed on the total retail price of any tangible personal property and the use or storage of such property when sales tax is not paid. These types of taxes may be levied as general taxes (majority vote required), which are unrestricted, or special taxes (two-thirds vote required), which are restricted for a specified use.

Transactions and Use Tax law authorizes the adoption of local add-on rates to the combined state and local sales tax rate. The law has been amended multiple times to authorize specific cities, counties, special districts and county transportation authorities to impose a transactions and use tax, if voters approve the tax. According to California City Finance, since 1995 local voters have considered sixty four countywide transportation sales tax measures. Only twenty eight of those measures garnered the necessary two-thirds votes for passage. Currently, twenty four counties have transactions and use taxes for transportation.

In Riverside County, RCTC imposed a countywide transactions and use tax of 0.5% and multiple cities have 1% transactions and use tax. The voters approved the 0.5% transactions and use tax proposed by RCTC in 1988. In 2002, voters approved the extension of Measure A, the 0.5% transactions and use tax until, June 30, 2039.

- 2) **Bill Summary.** Existing law authorizes RCTC to impose up to a 0.5% transactions and use tax pursuant to Transactions and Use Tax Law which establishes a combined rate in each county of 2%. RCTC utilized this authority to impose a transactions and use tax which was approved by the voters 1988 and extended by the voters in 2002. Riverside County has not reached the 2% combined cap, but RCTC has reached the 0.5% maximum tax rate established by their statutory authority. This bill increases the maximum transactions and use tax rate that RCTC is authorized to impose from 0.5% to 1%. This bill prohibits RCTC from levying a transactions and use tax or multiple taxes at a rate other than 1%, 0.75%, 0.5%, or 0.25%, unless specifically authorized by stature.
- 3) **Author's Statement.** According to the author, "Transportation funding is limited. Solutions from Sacramento and Washington are uncertain and still likely to fall short of meeting the needs of one of California's fastest-growing and most diverse counties. As the backlog of unfunded transportation projects increases and the population and economy grow, so does traffic congestion and its related impacts on health and economic productivity. What's more, state transportation funding is inadequate and federal transportation funding is uncertain. This bill is a housekeeping item to provide legal clarity so that RCTC has the option to ask Riverside County voters for an additional one-half or one-quarter of one cent sales tax measure."
- 4) **Arguments in Support.** The Riverside County Transportation Commission argues, "RCTC is proud to be part of the self-help county legacy its residents and voters have supported since 1988 when RCTC's first half-cent sales tax measure (Measure A) was implemented. While RCTC continues to deliver on the projects identified in the Measure A expenditure plan, due to a lack of state and federal matching funds, as well as the expected growth of our region, it has become objectively apparent that one-half of one cent cannot meet the mobility needs of

Riverside County. As one of California's fastest growing counties, Riverside must seize its own destiny and invest in needed transportation improvement timely."

- 5) **Arguments in Opposition.** The Howard Jarvis Taxpayers Association states, "Locally, Riverside County has a 7.75 percent sales tax rate already. The statewide 7.5 percent sales tax rate is the highest in the nation and the 8.44 percent combined state/local rate according to the Tax Foundation is eighth in the nation. Dozens of municipalities already have double-digit sales tax rates. This certainly will not help the families struggling to make ends meet in at least ten counties that have unemployment rates higher than the statewide average, including in Riverside County."

REGISTERED SUPPORT / OPPOSITION:

Support

Riverside County Transportation Commission [SPONSOR]
California State Council of Laborers
Coachella Valley Association of Governments

Opposition

Howard Jarvis Taxpayers Association

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